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RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHMC/AMCONSUL MONTERREY 8683

UNCLAS SECTION 01 OF 02 MONTERREY 000444

SENSITIVE
SIPDIS

DEPARTMENT PLEASE PASS TO USOAS

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TAGS: [OVIP](#) [PGOV](#) [ECON](#) [SNAR](#) [ETRD](#) [MX](#)

SUBJECT: SCENESETTER FOR VISIT OF USOAS AMBASSADOR HECTOR MORALES'S
SEPTEMBER 29- OCTOBER 1 VISIT TO MONTERREY

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1. (SBU) SUMMARY. The Consulate General enthusiastically welcomes you to Monterrey, the business hub of Northern Mexico. We are certain that your private sector and academic interlocutors will be very interested to learn more about the upcoming Summit of the Americas. ConGen Monterrey actively promotes U.S. interests through each section and agency, including an extremely busy consular section working to facilitate business and personal travel, and a law enforcement contingent that cooperates with Mexican authorities to interdict narcotics trafficking and protect our Southern border. Monterrey has a dynamic economy based on manufacturing large consumer products, but faces long-term issues of increasing international competition. The state of Nuevo Leon plans to respond by is developing a knowledge-based economy and moving into the production of higher value added goods. However, Mexico's most intractable problem, including here in Nuevo Leon, remains security, as rival drug cartels fight over lucrative trafficking routes, resulting in a drug executions, kidnappings and public insecurity. END SUMMARY.

2. (SBU) ConGen Monterrey is a large consulate with 78 direct hire U.S. employees, and home to eight other agencies, including the Drug Enforcement Administration, the Federal Bureau of Investigation, the Department of Homeland Security and the Foreign Commercial Service. ConGen Monterrey is the second largest Non-Immigrant Visa (NIV) post in Mexico and fifth largest NIV post in the world. ConGen Monterrey also handles approximately 50% of the worldwide demand for H2 visas for temporary unskilled and agricultural workers. Law enforcement is also an important focus of the Consulate, and DEA, FBI, DHS, and ATF work closely with their Mexican counterparts to arrest drug traffickers, dismantle the drug cartels, arrest fugitives from the United States, track and stop the flow of illegal arms, and protect our Southern Border from threat. In addition, the Political and Economic Section and the Foreign Commercial Service are engaged with the Mexican and American business communities and work well with local political leaders. Finally, our public affairs section conducts radio interviews and sponsors speakers to present the USG perspective on immigration and U.S.-Mexico foreign relations.

3. (SBU) A recent survey found that Monterrey is the most economically competitive area of Mexico. Monterrey greatly exceeds Mexican national averages for per-capita income and Nuevo Leon continues to enjoy higher than average economic growth. Monterrey has benefited from its proximity to the United States, an excellent business climate, and a nucleus of

industrialized Mexican firms. There are strong economic ties between the United States and Mexico, as Nuevo Leon continues to attract large flows of foreign direct investment (\$1.8 billion from the United States in 2007) and the local American Chamber of Commerce is vibrant, with over 300 members. Monterrey continues to focus on manufacturing, particularly bulky consumer items such as automobiles and domestic appliances, although the region has sought to move into higher value goods and services. Nuevo Leon is also a leader in other fields, such as renewable energy. Nuevo Leon uses refuse from state landfills to produce biogas, which is used to power 40% of public lighting in the Monterrey municipal area. Although relatively poor by U.S. standards, Nuevo Leon has one of the highest levels of education in Mexico and one of the lowest percentages of poverty (24% of the population).

14. (SBU) Despite these accomplishments, Nuevo Leon has concerns with respect to its economic future. Mexico in general and Monterrey in particular are closely tied to the U.S. business cycle, and Monterrey could well be affected by reduced growth in the United States, which will lower demand for Mexican exports. To date Monterrey's economy remains strong, although it is likely to slow down if exports to the U.S. decline. In the longer run, Nuevo Leon is concerned about the intensifying international competition in manufacturing from China and other Asian countries and from lower cost CAFTA countries. Nuevo Leon hopes to move to high value added industries such as software design, aerospace, and biotechnology. However, these goals are still in the future, as the great majority of Nuevo Leon's economic might remains in manufacturing.

15. (SBU) President Calderon remains broadly popular,

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particularly in the state of Nuevo Leon. The PRI and PAN parties vie for dominance in Northern Mexico, while the leftist PRD is very weak. In Nuevo Leon, Governor Gonzalez is in the last year of his six year term, and although he still has respectable approval ratings, he has had trouble bringing a number of his visionary plans to fruition. Governor Gonzalez has built substantial infrastructure in Nuevo Leon, but an important remaining goal is to promote the Colombia railroad bridge to connect Monterrey to Texas through the narrow 13 km border that Nuevo Leon shares with Texas. Meanwhile, Governor Gonzalez has built a "City of Knowledge" industrial park near the airport to promote innovation and high technology products. The City of Knowledge houses government agencies, local and international businesses and Mexican and U.S. academic institutions.

16. (SBU) As in all parts of Mexico, security overshadows all other issues in Nuevo Leon. Previously Monterrey had been seen as a safe city, where drug cartels would operate but would not engage in public violence. However, the rules have changed as the various Mexican drug cartels have fought for control of the lucrative drug shipping routes through Monterrey to the United States. Monterrey suffered a record 107 drug executions in 2007, although that has declined in 2008 as drug violence has moved to Ciudad Juarez and other Mexican cities. However, there has been an increasing in kidnapping in Nuevo Leon, and public frustration has boiled over given the inability of state and local police forces to crack down on crime. As in Mexico City and other cities, citizens in Nuevo Leon marched on August 30 demanding better public security. State and local authorities have responded with plans to provide more police training, clean up the police forces, and have caught several kidnapping gangs. However, as the government of Nuevo Leon has admitted that over 50% of the municipal police forces are infiltrated by the narcotics cartels, the fight for public security will certainly be long and difficult.

